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UNITED STATES BANKRUPTCY COURT
SAN FRANCISCO, CA

1 MICHAEL A. SWEET (SBN 184345)
msweet@foxrothschild.com
2 DALE L. BRATTON (SBN 124328)
dbratton@foxrothschild.com
3 FOX ROTHSCHILD LLP
235 Pine St., Suite 1500
4 San Francisco, CA 94104-2734
Telephone: 415.364.5540
5 Facsimile 415.391.4436

6 Attorneys for Debtor
PALM DRIVE HEALTH CARE DISTRICT

8 UNITED STATES BANKRUPTCY COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SANTA ROSA DIVISION

11 In Re:

12 PALM DRIVE HEALTH CARE
13 DISTRICT, a California local health
care district,
14 Debtor.

Bk. No.:

14-10510

Chapter 9

**DECLARATION OF THOMAS M.
HARLAN IN SUPPORT OF
DEBTOR'S QUALIFICATIONS FOR
RELIEF UNDER CHAPTER 9**

17
18 I, Thomas M. Harlan, declare as follows:

- 19 1. I am the Chief Executive Officer of Palm Drive Health Care District (the "District"),
20 debtor in the above-captioned bankruptcy case. I make this declaration in support of
21 the District's qualifications for relief under Chapter 9 of the Bankruptcy Code, title
22 11, United States Code (the "Bankruptcy Code"). I have personal knowledge of the
23 facts stated in this declaration, and if called as a witness, I could and would testify
24 competently to these facts.
- 25 2. The District is a local health care district organized under California Health &
26 Safety Code §§ 32000 *et seq.*, and accordingly is a "municipality" as such term in

1 defined in Bankruptcy Code § 101(40). The District operates Palm Drive Hospital
2 in Sebastopol, California, and provides other health care and education services.

3 3. The District is specifically authorized in its capacity as a local public entity to be a
4 debtor under Chapter 9 of the Bankruptcy Code by the laws of the State of
5 California. Cal. Govt. Code §§53760 *et seq.*

6 4. As authorized by Government Code § 53760.5, after a noticed public hearing held
7 on April 1, 2014, at which public comment was received on the District's fiscal
8 condition, the District has declared a fiscal emergency by a resolution adopted
9 unanimously by the District's Board of Directors. *See* Resolution 14-04 (the
10 "Authorizing Resolution"), adopted on April 1, 2014, a true and correct copy of
11 which is attached as Exhibit A to the Petition filed commencing this bankruptcy
12 case.

13 5. The Authorizing Resolution includes findings that the financial state of the District
14 jeopardizes the health, safety, or well-being of the residents of the District's service
15 area absent the protections of Chapter 9. The Authorizing Resolution authorizes and
16 directs the Chief Executive Officer to file a Chapter 9 bankruptcy petition.

17 6. The Authorizing Resolution further includes a finding that the District is or will be
18 unable to pay its obligations within the 60 days following the adoption of the
19 resolution.

20 7. The filing of this Chapter 9 case on an emergency basis was made necessary by the
21 severe fiscal emergency facing the District, and the District's good faith belief that
22 relief under Chapter 9 is essential to facilitate proper operation of Palm Drive
23 Hospital and related health care services in a critical transition period. During the
24 transition period, the District must determine what reductions and alterations in the
25 scope of its services must be made within the District's severely constricted financial
26 means. These reductions and alterations in services must – *and will* – be conducted
while maintaining proper standards of patient care and safety for those patients who

1 are and will be under the care of the District's staff and affiliated physicians during
2 such transition period.

- 3 8. In determining that a declaration of fiscal emergency under Government Code
4 § 53760.5 was necessary, the District carefully considered staff analysis of the
5 District's financial condition, the report of a nationally-recognized health care
6 consulting firm employed by the District, management's recommendation for
7 Substantial Termination of Services, and public comments received at the April 1,
8 2014, hearing on the District's fiscal condition.
- 9 9. In the District's present circumstances, it is unable to negotiate with creditors on a
10 proposed plan of adjustment for the District's debts because such negotiation is
11 impracticable in the very limited time frame before the District's cash would be
12 exhausted and because the District has more than 1,000 creditors, many of whom do
13 not belong to any representative organizations with which the District could
14 effectively negotiate in that time frame.
- 15 10. The District is insolvent within the meaning of Bankruptcy Code § 101(32)(C).
- 16 11. The District desires to effect a plan to adjust its debts.
- 17 12. The District is unable to negotiate with creditors, prior to entering into this Chapter
18 9 case, for the reasons stated in para. 9 above.

19 I declare under penalty of perjury under the laws of the United States that the above
20 statements are true and correct. Executed at Sebastopol, California, on April 7, 2014.

21 
22 Thomas M. Harlan